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CENTRAL INTELLIGENCE AGENCY
CIA 1-50

16 JANUARY 1950

REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF
THE UNITED STATES

SUMMARY

1. While European strength and stability will remain of prior strategic importance to the US, most of the immediate crises during 1950 probably will arise in Asia. There the urgent question is whether Soviet-oriented, China-based Communism can continue to identify itself with nationalism and sweep into power elsewhere in Asia.

2. The Chinese Communist regime will receive diplomatic recognition by most nations of the world.

a. Asiatic nations view the advent to power of the Chinese Communist government as the culmination of an indigenous national revolution. The UK has accorded it recognition to protect political and economic commitments in Asia.

b. The British, regarding Indochina as the immediately critical region in Southeast Asia, wish to see the Bao Dai regime strengthened as a barrier against the spread of Communist control.

NOTE: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force. The information contained herein is as of 13 January 1950.

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c. Chinese Communist capture of Taiwan in 1950 is almost certain.

d. An accommodation between Communist China and the Western Powers is possible, but remote in time. Strains are already in existence in Sino-Soviet relations, but they probably will not become critical in 1950. For several years China probably will be a reliable instrument of Soviet foreign policy, but it will not contribute much to the Soviet military potential. For the time being, China's chief threat to US interests in Asia will be as a base from which to carry on revolutionary activity elsewhere in Asia.

e. Communism has excellent grounds for political gains in Indochina, where the time for building up indigenous, non-Communist resistance is short.

3. Developing economic warfare, coupled with the continuation of the Kashmir territorial dispute, threatens renewal of armed hostilities between India and Pakistan.

4. In Europe, as the Communist danger recedes and Western European economies are revived, disputes grow over the division of the increased income. These conflicts will continue to unsettle middle-party coalition governments and endanger the second phase of ERP.

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a. Expanded industrial production requires enlarged overseas markets and consequent reduction of dollar deficits. However, Britain and France, making little progress towards closing the dollar gap, may be forced further to restrict dollar imports.

b. In France, Bidault's government, is in a state of chronic near-crisis as a result of basic economic disagreements between the Socialists and Radical Socialists.

5. The Tito regime is currently more concerned with reorientation of Yugoslavia's economy from East to West than with the constant danger of military aggression. Soviet propaganda shifts may indicate Moscow's willingness to tolerate the Yugoslav situation for some time to come.

6. The advent of the Wafd government to power is likely to improve the British position in Egypt.

7. The decision of the Council of the Organization of American States to study the Cuban and Haitian dispute with the Dominican Republic will curb open hostility and strengthen the formal machinery of inter-American solidarity.

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